

# 2017 Sustainability Review



**SHV ENERGY**

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# Preface by the CEO

"From individual behaviour to collective impact"

## Creating value

At SHV Energy, we recognise our responsibility as a global market leader in the energy industry. In our opinion, our business really can have a positive and significant societal impact as we play a major role in both energy transition and fostering prosperity. For instance, we can enable our consumers and business customers to switch from more polluting fuels to our cleaner products, which will have a big impact on CO<sub>2</sub> reduction and air quality. Moreover, this transition will enhance health and safety as well, because it will lead to a reduction of dust and soot simultaneously. In addition, we know that many household and remote area accidental fires are caused by cooking on open fires and the use of kerosene (paraffin) stoves. The switch to gas can therefore lead to safer working environments, fewer accidents and less damage. As we succeed in growing our business in this field, society as a whole can benefit as well. Sustainable development and business continuity go hand in hand. That is the way we intend to keep creating value.

## Sustainability is a journey

We do not only aim to help our customers reduce their carbon impact. We also look internally at our whole supply chain to minimise negative impact and create positive impact. We understand that sustainability is about consciously evolving and staying relevant to stakeholders, and we focus on making a core difference throughout our operations. As a company, we look at sustainability not as a final destination but as a journey. And I strongly believe that *having a purpose* and *personal attention* are two essential items we need to 'pack' for this journey.

## Advancing Energy Together

SHV Energy's purpose is to create clean air and dramatically lower our carbon emissions by growing the business. We have therefore embarked on a journey we call *Advancing Energy Together*. For me personally, it is very important to be part of an organisation that strives to leave the world a better place for the next generation. When I talk to our employees, I find that this is something that clearly resonates with them as well. This brings me to personal attention: making sure everybody is seen, heard and engaged with, empowering us all to contribute at work and at home.

## A clear focus on shared topics

SHV Energy strongly believes in a shared approach, which means local relevance with global applicability. Anchors that have proved to be useful in this approach are Sustainable Development Goals (SDGs) and the Paris Climate Agreement. Acting as a responsible citizen, we adhere to the OECD Guidelines for Multinational Enterprises in order to respect the interests of all stakeholders.

In 2017, SHV Energy carried out an assessment to identify these stakeholder interests and concerns more specifically. We engaged with over 2,000 stakeholders worldwide (60% of which were external). The result is a list of **shared** topics that all of our business units integrate into their sustainability strategy to increase sustainability performance and improve cooperation:

- **Health & Safety:** process-, product- and occupational health and safety
- **Environmental Impact:** fighting climate change and improving air quality
- **Employee Management:** facilitating employees' career development
- **Business Integrity:** safeguarding and stimulating an ethical and compliant culture

We have also enabled our business units to add topics to the agenda that are specifically relevant to local circumstances.

## Our initiatives in 2017

2017 was about building a foundation for our sustainability approach for the coming years. We established a global sustainability community in which each business unit is represented by a Sustainability Leader – a go-to-person for all things sustainability-related, and supportive in the local implementation of sustainability practices. All Sustainability Leaders report directly into their local business unit and work closely with the Group Sustainability Manager. We also established uniform standards for our carbon footprint and carbon impact measurement (based on international standards such as the Greenhouse Gas Protocol) and trained all business units in the use of these formats.

In order to increase awareness and engagement throughout the organisation, we created communication materials such as a sustainability booklet and an animation ([link](#)) that explains our way forward, and launched these materials at our leadership teams meetings. Finally, we organised sustainability workshops – in which all business units participated – with the main goal of drafting sustainability action plans for 2018.

In 2017, we switched many new customers from polluting fuels, such as coal and heavy oil, to our cleaner products. The carbon impact from these switches adds up to more than 100,000 tonnes of CO<sub>2</sub> that is saved. 2017 was the first year in which we calculated our carbon impact throughout the entire company and we will continue to do this in the future.

One of the key challenges that remains for our organisation is to make things related to our environmental impact more tangible and actionable. What does one tonne of CO<sub>2</sub> mean? How does it relate to our organisation? How can I influence our performance? We will help our employees answer these questions, and more.

## Our outlook for 2018

2018 is about harvesting the impact from our efforts so far, and of course continuing our journey by building further on our sustainability approach. After all, being on a journey means knowing where you want to go and maintaining momentum.

Moving forward, we will distinguish between actions coordinated from our head office and actions implemented within our business units. Actions coordinated from our head office relate to increasing awareness (a campaign on individual behaviour), leading by example (a mobility policy) and tracking progress (making sustainability part of the management performance review cycle). Actions implemented within the business units are all about moving the needle; examples here are the use of alternative fuels in transport, energy efficiency and renewable energy at our sites, and creating a platform through which our customers can see how we can help them become more sustainable. Of course, switching customers to our products leads to better financial results for us. However, it also strengthens our ambition to have a positive impact on society. Clearly, this is why switching customers is one of our major purposes.

I would like to thank all of our employees, customers, suppliers and everyone else who has joined us on our journey. It is going to be exciting – and challenging – and it will help us to further improve our sustainability performance as we continue to seize the opportunities ahead.

Fulco van Lede, CEO SHV Energy

# Company Profile

“Meeting today’s challenges through decentralised, low-carbon and clean energy solutions.”

## Decentralised, low-carbon and clean energy solutions

SHV Energy is part of SHV, a privately held family company that has established a global presence in a wide range of activities. Today, SHV is present in 60 countries on all continents and employs approximately 60,000 people. SHV groups are active in energy distribution, cash and carry wholesale, heavy lifting and transport activities, industrial services and animal nutrition and aqua feed. As an investor, SHV is involved in the exploration, development and production of oil & gas primarily in the North Sea, and it provides private equity to companies in the Benelux.

With 16,800 employees, SHV Energy provides decentralised, low-carbon and clean energy solutions for 30 million business and residential customers in over 25 countries across four continents. It is a leading global distributor of LPG and a significant player in small-scale LNG and sustainable biomass.

In Europe and the USA, SHV Energy is committed to providing energy solutions for homes and businesses in rural areas beyond the gas grid. In these areas, there is widespread use of the most highly polluting fuels such as coal and heating oil. Consumers – both businesses and individuals – that switch from these fuels to LPG and LNG can bring about a significant reduction in emissions of carbon dioxide and particulate matter.

In Asia and Brazil, SHV Energy provides clean fuel for businesses, residential and commercial customers spanning all sections of society. In many of these countries, cooking with LPG is beginning to replace solid fuel stoves, which are known to be a major source of pulmonary illnesses in these areas. In Asia, existing petrol and diesel vehicles are increasingly converting to LPG and LNG, a trend that is welcomed in particular by urban communities concerned about worsening levels of pollution.

Globally, SHV Energy aims to position itself within the changing energy market as a supplier of low-carbon and renewable energy solutions for applications beyond the utility grids. During 2017, several options were further explored to build a position in markets for renewable energy sources and related technology.

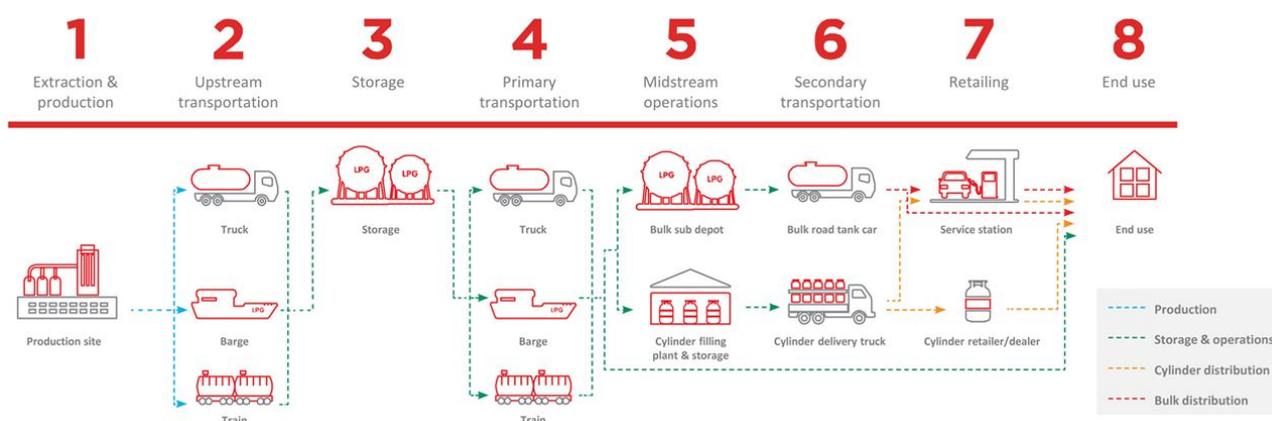


Figure 1: Supply Chain SHV Energy

SHV Energy made several acquisitions during 2017. Primagaz acquired Total Belgium, which took Primagaz’ market share to a number one position. SHV Energy also made its first entry into the US market with its acquisition of Pinnacle Propane.

# Our core values

We run our business based on our core values. Our people – who all share SHV's values and business objectives – shape SHV. SHV's culture reflects their professionalism, entrepreneurship and reliance on common sense. Mutual respect and trust provide the basis for sound working relationships between all of our people, who are encouraged to take responsibility for their work and are stimulated to be entrepreneurial. Knowing that SHV people are capable of meeting the challenges of today gives us confidence in the future of this company.

# How we organise sustainability

Each of our business units is represented by a Sustainability Leader – a go-to-person for all things sustainability-related, and supportive in the local implementation of sustainability practices. All Sustainability Leaders report directly into their local Managing Directors and work closely with the Group Sustainability Manager.



Figure 2: Sustainability Organisation

We have created clusters to accommodate local differences and facilitate corporation between organisations: a regional group of business units that cooperate to define their sustainability agenda and the implementation of their sustainability programme. The main approach for implementing sustainability programmes is the use of existing business structures, such as:

- **Decision-making:** approval from the Management Board and the involvement of local management teams
- **Improvements:** together with the procurement community, the operations community, and the customer creation community
- **Reporting:** a year plan cycle, monthly updates, and integration into finance reporting
- **Financing:** carbon pricing in investment proposals

A Sustainability Platform is also in place at an SHV Holdings level, in which the Group Sustainability Manager represents SHV Energy.

# The world around us

“Better energy solutions for the communities we serve.”

## Driving the switch to cleaner fuels

SHV Energy currently operates across four continents to provide clean, independent energy to millions of consumers for thousands of different applications. Our major products are LPG, LNG and Bio-LPG, all of which can be used without a centralised gas grid infrastructure. These products also have a major environmental advantage – they are far cleaner and lower in carbon than many of the widely-used solid and liquid fuels for similar applications. Switching from high carbon, heavily polluting energy installations to SHV Energy products is the activity that most clearly defines our strategy. We call it Advancing Energy Together.

## Advancing Energy Together...around the world

Almost every society in the world accepts the fact that we need to reduce our dependency on high carbon, high polluting energy. However, specific challenges can vary widely. That’s why we constantly review our position in every area in which we operate, to help us target better energy solutions and stay relevant to the local issues that matter most in the communities we serve. By doing so, we continuously try to climb the ladder of cleaner and renewable energy. We can imagine that in the future an acceleration to solar or wind energy might be the most appropriate way to facilitate the energy transition. This is exactly the reason that we aim to gradually step in-to the market of renewables.

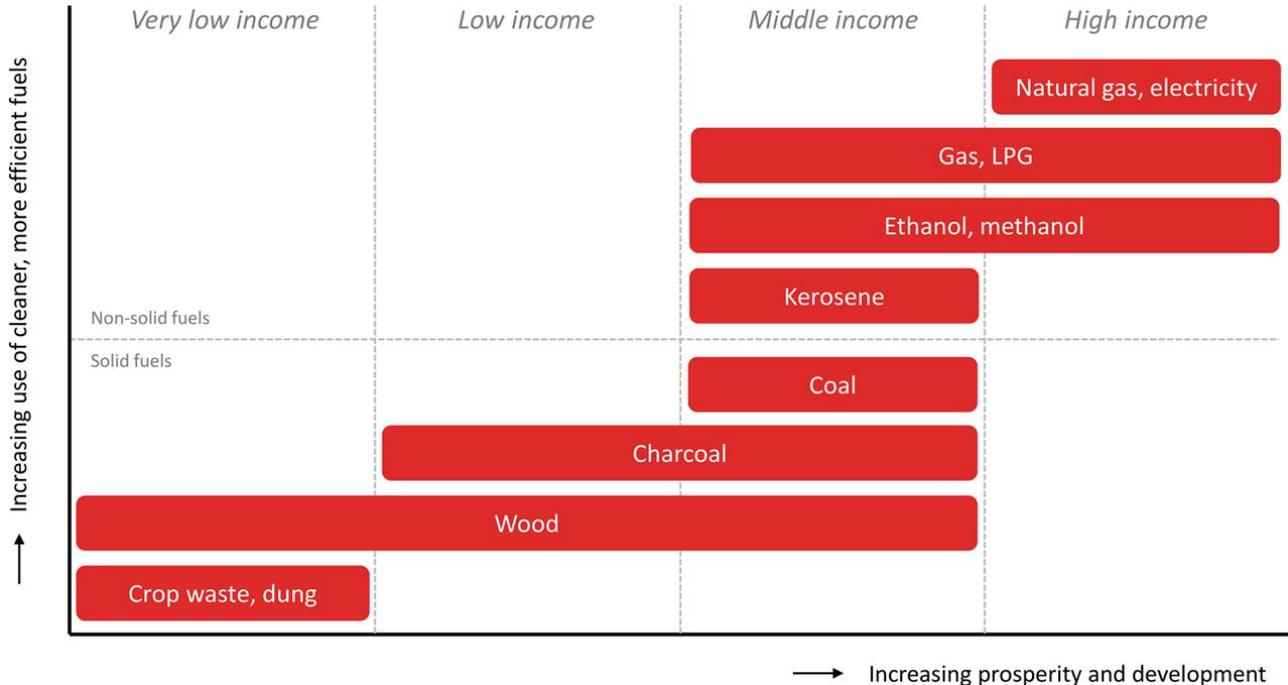


Figure 3: Energy Ladder

## Reducing CO<sub>2</sub> in European rural energy

Approximately 40 million European homes are located in rural areas beyond the reach of the main gas grid. Most of these homes still rely on coal, heating oil and electricity. SHV Energy recently supported a study that illustrated how the European rural energy sector could save about 100 million tonnes of CO<sub>2</sub> by switching to LPG and Bio-LPG. At the same time, our European business units are constantly driving initiatives to switch rural customers to LPG – and many are seeing record breaking new customer acquisition numbers as a result.

## Cleaner cooking – increased health, safety and prosperity

In the developing world, the use of kerosene and solid fuels such as coal and wood are widely used by families to fuel cooking stoves. The resulting poor air quality is reported to cause around 4,000,000 deaths a year on a worldwide basis – that's more than tuberculosis, malaria and AIDS combined. The use of kerosene, coal and wood also introduces serious safety risks such as indoor fires. What's more, the collection of firewood is largely undertaken by women in many areas. This not only affects their ability to become economically active, but it can also involve great personal danger. In India, China and Brazil, SHV Energy provides LPG to fuel cooking stoves in urban and rural areas, leading to improvements in the fields of health and the environment.

## Urban air quality: a call to action

Serious concerns about urban air quality are growing across the globe. In Asia, an increasing number of cities suffer from severe smog. In Europe, cities are facing severe financial penalties for failing to meet air quality standards. The issue of air pollution will only become more alarming in the face of worldwide urbanisation and a growing global population. As a result, the pursuit to improve air quality through the increased adoption of cleaner transport fuels is now on almost every country's agenda. SHV Energy actively promotes and invests in Automotive LPG and/or LNG infrastructure in many countries. We also regularly participate in new technology and vehicle prototype trials to ensure that our products are part of the transport energy solutions of the future.

## LPG as a backup for wind and solar power

There is no doubt that renewable wind and solar technology is becoming more widespread and therefore cheaper. While this is beneficial for the carbon footprint of many countries around the world, in many regions there is almost always a need for some sort of weather-proof back up. In areas with limited or no energy grid access, the answer is very often provided by supplementary LPG-fuelled appliances. As a clean burning, low carbon fuel, LPG complements renewable systems and maintains the very low polluting status of the overall energy installation.

## New technologies and the Internet of Things

On the face of it, LPG and LNG may seem like low tech traditional fuels, and it is true that they are well established. However, their ability to be harnessed to high tech applications and controls is growing fast. Remote gas ordering through telemetry systems is now highly accurate and very reliable. Internal controls can now heat homes and businesses from the other side of the world. In addition, our business units routinely offer paperless invoices and meter readings while using state-of-the-art software in many LPG and hybrid LPG vehicles.

## A commitment to sustainable growth

These activities represent just a few snapshots of some of the areas we are addressing as part of our future strategy. They are all part of SHV Energy's ability to be future-ready today, and to grow sustainably into tomorrow.



## Strategy

At SHV Energy, we believe that a single Group strategy is the best way to achieve our varied and multifunctional objectives. Of course, we also recognise that we have a diverse set of SHV Energy companies and that we operate in a variety of different societies. Therefore, we involved representatives from all of our Group functions as we created and then finalised our strategy. This chapter explains how our vision, purpose and resulting approach fit together, and how our sustainability values – together with our commitment to safety – lie at the very heart of our Group strategy.

# Our Strategy

“We’re future-ready today for sustainable growth tomorrow.”

## Advancing Energy Together

As an independent, global energy company, SHV Energy sees a changing, challenging world. A world in which energy is essential for human prosperity, but which is also struggling to cope with the impact of its use. A world in which our climate is changing, air quality is becoming an increasingly critical health issue for millions of people, and in which action is required, now. At SHV Energy, we see an opportunity – and we feel a responsibility – to make our world better. After all, we are an energy company with a local focus and a healthy international presence, and we can make a real difference. Our energy is cleaner than fossil fuels such as coal, wood and oil, and it is now available to those not served by the grid. Therefore, one of our most important goals is to help people and businesses switch from polluting oil and solid fuels to improve air quality and dramatically lower carbon emissions.

We have a strong and sincere belief that we can deliver on this purpose through the adoption of a clear and simple global strategy that is owned by every part of our organisation.

## Our strategy and sustainability

### A sustainability agenda for internal and external stakeholders

As a company focused on the long term, we have an inherent interest in ensuring that we operate sustainably. For this reason, we are reviewing our entire value chain to search for opportunities to improve our sustainability performance through our own people and processes, our customers and our partners. Ultimately, we consider two stakeholder groups as we build our sustainability agenda:

- **Internal stakeholders:** SHV Energy employees, employees from other SHV organisations
- **External stakeholders:** suppliers, customers, competitors, regulators/authorities, NGOs, neighbours/local communities, financial/capital markets

### Local materiality assessments across the globe

We are globally present across different markets and sectors in 25 countries. We take this into account as we provide opportunities for our business units to position themselves for strategic success. As we continue to build our sustainability agenda, we also allow our local business units to select their own stakeholders and carry out their own *Materiality Assessments*. This helps us to find out what the most relevant societal topics are for our company.

### A multi-lingual online survey

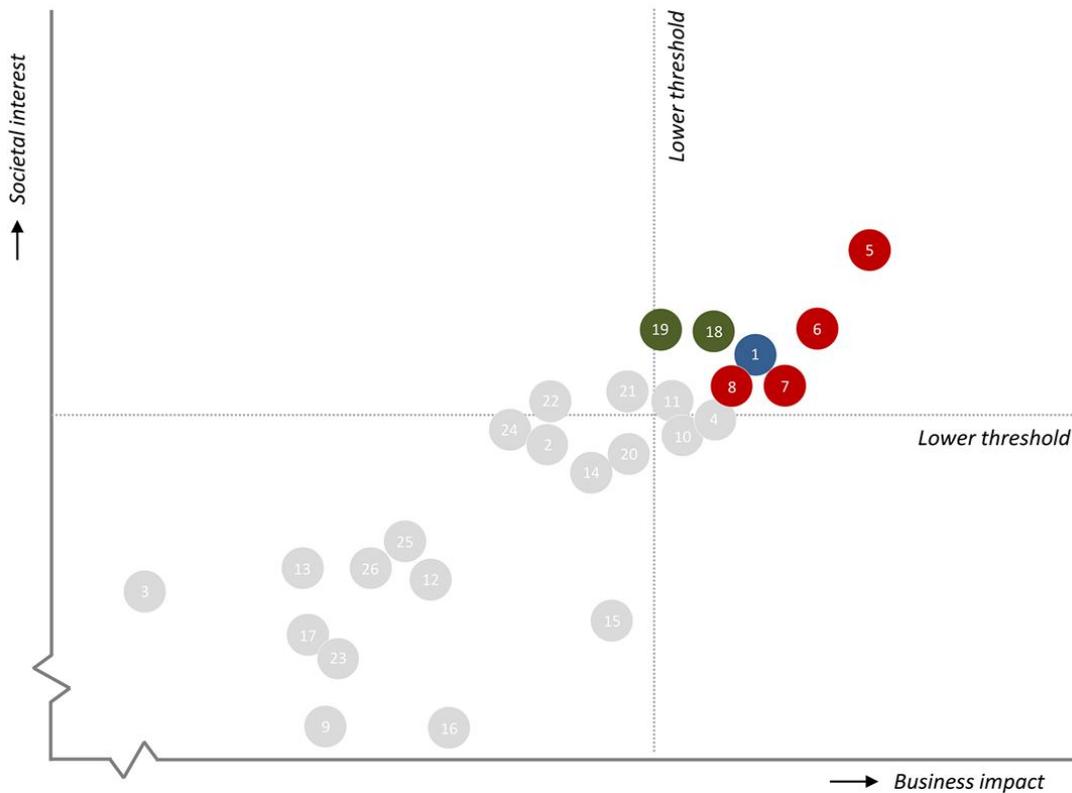
We reached out to more than 2,000 stakeholders for our 2017 Materiality Assessment. 40% of these were external stakeholders, which we identified as people who knew SHV Energy (or were at least familiar with the business) and who were also familiar with sustainability topics.

We used a longlist online survey to collect feedback from all stakeholders, using our organisations’ natural contact points – such as customer sales contacts – for distribution. The survey was available in ten different languages: English, Czech, Spanish, French, Dutch, Polish, Portuguese, German, Turkish and Italian.

# Stakeholders' most material topics

We used a 26-item long-list of topics based on global standards, a peer-review and a media search. In the survey, the stakeholders were asked to rate each sustainability topic on importance.

This 2017 long-list materiality assessment resulted in a short-list of topics common across the SHV Energy Group. Together, they define our shared sustainability agenda.



## Governance

- |                                      |                      |
|--------------------------------------|----------------------|
| 1. <b>Business integrity</b>         | 3. Local procurement |
| 2. Sustainable procurement practices | 4. Site security     |

## Social

- |  |                                |                                     |
|--|--------------------------------|-------------------------------------|
| 5. <b>Product safety</b>                   | 10. Child and forced labor     | 15. Employee provision              |
| 6. <b>Occupational health &amp; safety</b> | 11. Labor conditions           | 16. Remuneration                    |
| 7. <b>Process safety</b>                   | 12. Community initiatives      | 17. Employment of local communities |
| 8. <b>Employee development</b>             | 13. Indigenous people's rights |                                     |
| 9. Diversity and equal opportunities       | 14. Access to energy           |                                     |

## Environmental

- |                                     |                               |                   |
|-------------------------------------|-------------------------------|-------------------|
| 18. <b>Local air pollution</b>      | 22. Waste                     | 26. Deforestation |
| 19. <b>Climate change</b>           | 23. Natural resource scarcity |                   |
| 20. Energy                          | 24. Water                     |                   |
| 21. Sustainable products & services | 25. Ecosystems & biodiversity |                   |

Figure 6: Materiality Matrix

These material topics are:

- **Health & Safety:** process-, product- and occupational health and safety
- **Environmental Impact:** fighting climate change and improving air quality
- **Employee Management:** facilitating employees' career development
- **Business Integrity:** safeguarding and stimulating an ethical and compliant culture

Aside from these shared topics, we enabled business units to add additional topics to the agenda that were specifically relevant to their local circumstances.

All material topics are the basis of our sustainability policy. That means that we will formulate our targets on these topics, steer and monitor our performance and report on these topics internally and externally on a regular basis.

## Sustainable Development Goals and strategy

With increasing globalisation, the impact of a company (positive and negative) is often far more comprehensive than initially thought. Sustainable Development Goals (SDGs) help us and other companies identify shared goals and create a shared *language*. They also offer a valuable strategic framework for our sustainability agenda.

The goals are also closely related to the societal value we create. While enabling customers to switch to cleaner energy sources and fuelling rural areas and communities, we contribute to affordable and clean energy, climate action, economic growth and prosperity in a local way. By acting as a responsible employer, we also create decent work. We will use 2018 to further build on the SDGs and link them to our sustainability strategy. This will help us to cross-check our goals and increase understanding of our impact as a company.

# Our overall strategy

To reflect the circular nature of a sustainable economy, we illustrate our strategy with this wheel:

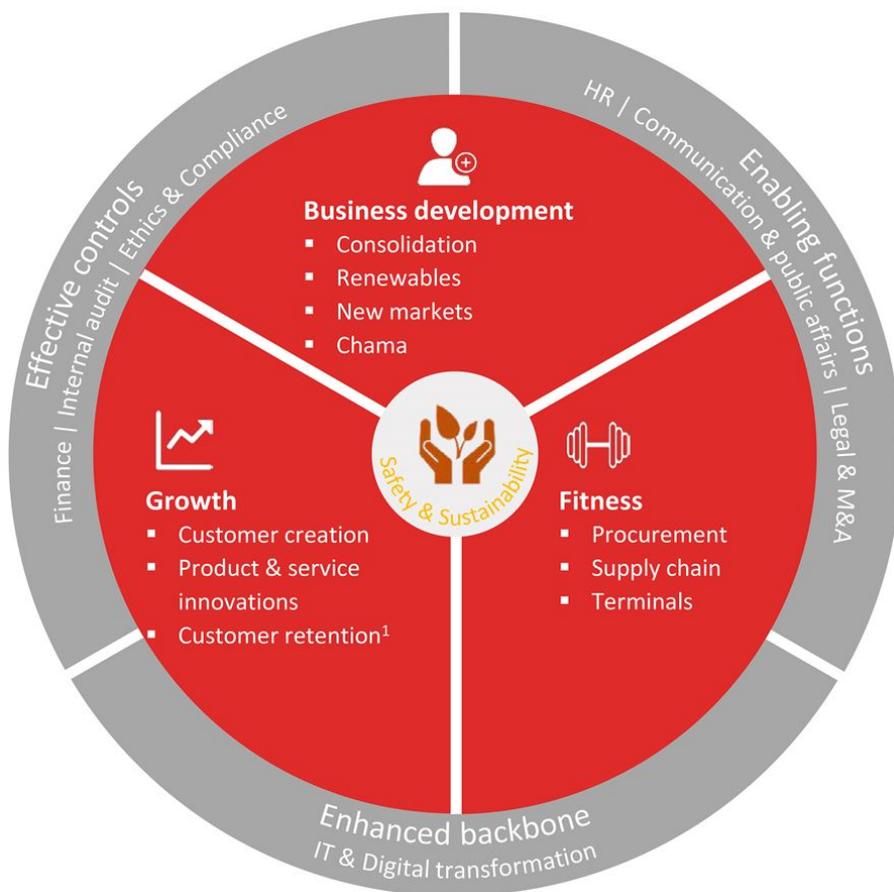


Figure 4: Strategy Wheel

## The heart of our strategy

No responsible business today can claim to be part of the future energy market unless it has safety and sustainability at its heart. SHV Energy has positioned these two issues in the centre of its strategy and business model. Our goal for Safety is zero incidents – there can be no other aspiration and our safety policy, featured in full within this website, details our principles, vision and commitments that are designed to deliver this. Our goal for Sustainability is a 25% reduction in carbon emissions by 2025 – but our culture of sustainability, also comprehensively detailed in this website, explains how much more we are doing to reduce our impact on the environment and, consequently, life on earth.

## The edge of our strategy

The edge of our strategy wheel features the essential internal functions that we call Enablers. We have accelerated policies and plans in all of these areas to ensure that our Group has the most effective and efficient structures and processes in place. This will enable us to stay relevant and sustainable within the increasingly demanding energy markets around the world.

## Growing naturally

SHV Energy currently operates a highly successful, global LPG business, which now includes Bio-LPG in many parts of Europe. We are also rapidly establishing a small-scale LNG business function in many territories. These off-grid gas energy products are all low carbon and clean burning, and we are convinced that there are still major *Growth* opportunities in these markets. This area of our strategy aims to grow our core business by switching customers and businesses from higher carbon, air quality-polluting liquid and solid fuels to SHV Energy solutions. Each of our business units therefore focuses on the most appropriate market sector, and provides credible switching impact data as part of their energy consultation discussions.

## Developing future-proof energy solutions

To complement and support our core products, SHV Energy is actively seeking *Business Development* opportunities in existing and new LPG markets, but also within renewable energy market sectors. Building on our success in bringing the first substantial source of Bio-LPG to market, we have established dedicated resources to support our new energy market aspirations.

## Fit for purpose

As well as ensuring that we have the right infrastructure within our enabling functions, we are also committed to focusing on their *Fitness* by reviewing them and instigating improvement projects – increasingly on a global level. This ensures our overall sustainability as a business. Energy markets can be volatile and unpredictable; for this reason, SHV Energy is passionate about ensuring that our operational functions do not impose an unacceptable cost burden on our customers. This part of our strategy constantly focuses on reviewing our operations to ensure that they are fit for purpose while never compromising safety or sustainability.

## Working for society and the environment

We believe that our strategy, values and commitment are absolutely clear. In the chapter ‘The world around us’, we look outside our business to some different societies where we actively put our strategy into practise as we promote our applications with the aim of creating a real, sustainable, difference to people’s lives.

Our strategy is not a static charter carved in stone and adhered to regardless of external circumstances. It is flexible, relevant and, above all, driven by the needs and desires of our millions of customers. We believe this approach – together with the outstanding commitment of our people – will ensure our success and deliver real benefits for our customers, the environment and society as a whole for many decades to come.



## Our sustainability topics

The sheer number and variety of potential Sustainability issues and initiatives can appear almost endless. And if everything is a priority, then nothing is. To make a real impact, therefore, we prioritised and then focused on key activities from the start of our sustainability journey. In 2017, we undertook a comprehensive materiality assessment across all of our business units to collect opinions and identify issues. We then mapped these issues against impact relevance and importance. The result is a list of shared topics that all organisations now integrate into their sustainability strategy. As you will see in this chapter, this approach improves cooperation between our business units and results in increased sustainability performance.

# Health & Safety

“Understanding our impact and taking responsibility.”

We make important investments in Health and Safety, treating it as a top priority and insisting on accountability from the top. Our new SHV Energy Health & Safety Policy (presented below) reflects this commitment.

## Safety as a top priority

People across the globe trust an SHV Energy company to provide them with clean, safe energy. Contrary to what you might expect, in most cases this supply does not use a utility grid. Instead, the energy is supplied by people who package or deliver our products through a variety of closely managed processes. For this reason, our diverse range of SHV Energy companies must position safety as an absolute top priority.

## Accountability at the top

When it comes to safety within our business units, accountability must flow through the line management structure right to the top. In fact, safety is the first item on the Group Management Board’s agenda every time they meet. We fully investigate all incidents to find the root causes. Then we rapidly communicated the lessons learnt throughout the organisation.

## Investment in safety training

In 2018, all line employees with key safety responsibilities will attend training to receive the NEBOSH international safety certificate. This represents a significant investment by both the individuals and the company. And the increased knowledge will enable a step change in our safety performance.

## Our new SHV Energy Safety Policy

This year, we are also publishing our new SHV Energy Safety Policy, which articulates Senior Management’s commitment to safety. We present it here in full, and you will find it at every SHV Energy company location, together with a local, supportive, action-based policy.

*Every day, millions of people all over the world are touched in some way by the activities of SHV Energy. They may be employees, customers, neighbours or just observers but they all trust us to cause them no harm. This is our highest responsibility within our stated purpose of advancing energy together.*

*We will create a culture within all parts of our organisation that builds upon a foundation of compliance to become a leader in health, safety and environmental performance. Therefore, we will pay rigorous attention to detail with a passion for continuous improvement in all our activities.*

### **Our principles:**

- *We will not compromise the health and safety of ourselves, our colleagues, customers, business partners and the communities in which we do business for any reason whatsoever.*
- *Visible leadership and personal accountability for safety is the responsibility of everyone who undertakes work for SHV Energy.*
- *Anyone who works for us shall stop work, and report the circumstances, if they believe an activity to be unsafe or an infringement of a life saving rule.*
- *We will work to the same standards globally, whilst complying with all applicable legal and regulatory requirements.*
- *Our safety principles shall be reflected in 100% of our behaviour, 100% of the time.*

### **Our vision:**

- *Zero incidents.*
- *Safe, secure and healthy working conditions for all who work with and for us.*
- *High quality, safe and environmentally responsible products and services that meet or exceed customer expectations.*
- *Economic, social and environmental sustainability in everything we do.*

### **Our commitments:**

- *Continuously improve our performance and actively manage all safety risks in our business especially at times of change.*
- *Sustainable changes that address the root causes of all incidents, with special focus on those with the potential for a severe injury or fatal outcome.*
- *Design, construct and operate our facilities in a safe, secure, efficient and environmentally responsible way.*
- *Ensure sufficient measures are in place to prevent major incidents.*
- *Accountability and performance tracking against our Safety goals and targets.*
- *Work with our business partners and industry to actively promote and enforce compliance with this policy.*
- *Promote open communication and sharing of Safety knowledge with all stakeholders.*
- *Comply with all applicable legal, regulatory, industry and company requirements.*
- *Provide adequate resources, training and equipment to enable fulfilment of this policy.*
- *Ensure everyone is aware of their responsibilities to deliver this policy.*

We are pleased to introduce our new policy in this sustainability review. Part of the ongoing safety performance regime will be to establish common leading key performance indicators and targets, which we will harmonise for future sustainability reports. For now, rest assured that we are absolutely committed to safety as part of our increasingly sustainable organisation.

## **Employee Management**

### **People are at the heart of our business**

At SHV Energy, we're proud to place our people at the heart of our business. Our company culture provides a supportive environment that allows our employees to reach their full potential and to really make a difference. We ask our employees to be open minded, to embrace new ways of working, to continuously learn and – when needed – to step out of their comfort zones in order to realise our ambition to deliver more sustainable energy to today's world and future generations.

### **Continuous professional development activities**

We encourage and support continuous professional development activities in many different ways across our business units. At a basic level, all SHV Energy employees begin their career with a comprehensive induction programme, supported by specialist vocational training, with a strong emphasis on safety and compliance. To support our Advancing Energy Together purpose, we have started an accelerated range of people development initiatives to leverage the international cross-functional capabilities of individuals and teams. Our most recent, centrally-driven initiatives in this area include:

- Our SPRINT (SHV Primary Introduction Training) programmes. These are fast paced sessions involving relatively new people from different functions in different countries. The aim is provide participants with a rapid understanding of the diverse aspects of SHV Energy's activities while helping them start to build a career-long network of colleagues from around the world.
- Our LINK (Learning and Investing through Networking and Knowledge sharing) programme. This is an intensive leadership development programme designed to secure the succession of senior positions within SHV Energy through the development of managers who show the potential for senior positions. It ensures that SHV Energy identifies and develops our high potentials.
- Our Ambassador programme, which is a great opportunity to refresh our mid-level managers' business insight, further develop their professional qualities and extend their SHV Energy network.

- Our International Leadership and Extended Leadership meetings, which are now firmly established as regular events to build a one world approach to many common issues. People development is a regular item on this important agenda.
- Our new and advanced 'Workday' global database. We established this database in 2017 to ensure a standard approach to performance management and other people development data. This capability will enable accurate and real time information on people development activities that are openly accessible to employees and management.

## International succession management

We work hard to ensure a continually developing and sustainable workforce. In that regard, we constantly review our succession management programme, and we have grown our international assignments rapidly over the last two years. We have a clear target: four out of five management positions should be filled by internal candidates. We use a wide range of coaching and development activities to help us achieve this goal.

## Building on initiatives that put people first

Over the next two years, we will build on these initiatives by focusing on a variety of areas to continuously improve people development performance. We will:

- Develop new international development programmes to increase individual expertise and cross-functional network creation, supported by the introduction of a global Learning Management System.
- Develop an increasing number of highly skilled central specialists to improve efficiency and customer service abilities across the globe.

At SHV Energy, we are confident that our strong heritage in sustainable people development performance will help us remain committed to putting people first – always and everywhere – as we work hard to create a more sustainable world.

## Local Air pollution

### No society can afford to ignore air pollution

Air quality is one of today's vital issues, and out of all of the data and statistics available, here are a few facts that hit us the hardest. First, air pollution is linked to over nine million deaths per year, which translates into *one in every six deaths globally* (The Lancet Commission on Pollution and Health, 2017). Second, another study came out in 2017 demonstrating that air pollution significantly increases the risk of lifelong health damage to unborn babies, and that 17 million babies are forced to breathe air six times more toxic than WHO guidelines (UNICEF, 2017). As UNICEF Executive Director Anthony Lake recently proclaimed: "No society can afford to ignore air pollution. We protect our children when we protect the quality of our air. Both are central to our future."

### Urban and rural communities should be heard

Air pollution is felt locally, so SHV Energy uses a focused and consistent approach that is globally applicable and locally relevant. For instance, air quality issues in *urban* environments have a different origin – and therefore a different solution – than issues in *rural* environments. The same is true when comparing air quality issues in developing and developed countries. Everyone should be heard in this, forcing the question: do urban and rural communities have equitable access to the information and tools they need to improve their own air quality?

## Switching to LPG/LNG

There are many causes of air pollution. One significant contributing source is the burning of liquid fuels (such as diesel and heating oil) and solid fuels (such as wood and coal for both domestic and industrial purposes). As a global provider of LPG/LNG, we can help reduce air pollution by encouraging customers to make the switch from more polluting energy carriers to cleaner alternatives from our product portfolio.

## Measurements based on WHO guidelines

Unlike reporting for carbon emissions, there is no internationally recognised standard for corporate accounting and the reporting of air polluting emissions. In fact, the interpretation of harmful effects is perceived differently per region, and thresholds, limits and key air pollutants are different in various parts of the world. When listed by species, local air pollutants can total 30-40 different types. Among them, regulators have determined priorities based on toxicity and exposure.

SHV Energy is building a measurement framework that is based on guidelines provided by the World Health Organisation (WHO), which includes the following pollutants: Particulate matter (PM<sub>2.5</sub> and PM<sub>10</sub>), Ozone (O<sub>3</sub>), Nitrogen Dioxide (NO<sub>2</sub>), Sulphur Dioxide (SO<sub>2</sub>) and Carbon Monoxide (CO). The following health effects are experienced by people exposed to elevated levels of the most common pollutants:

- **NO<sub>2</sub>, SO<sub>2</sub>, O<sub>3</sub>**: these gases irritate the airways of the lungs, increasing the symptoms of those suffering from lung diseases.
- **PM<sub>2.5</sub> and PM<sub>10</sub>**: fine particles can be carried deep into the lungs where they can cause inflammation and a worsening of heart and lung diseases.
- **CO**: this gas prevents the uptake of oxygen by the blood. This can lead to a significant reduction in the supply of oxygen to the heart, particularly in people suffering from heart disease.

## We talk to our customers about air pollution

Different pollutants, different harmful effects, different energy carriers and different sources all demand the same thing: proper education. Therefore, we go out and talk to our customers, telling them about the benefits of LPG and LNG – they emit a significantly lower amount of air pollutants when compared to other energy carriers. For instance, when we compare diesel and petrol cars to LPG cars, the numbers speak for themselves:

- LPG emits up to 82% fewer Nitrogen Oxide pollutants than petrol and up to 99% fewer than diesel.
- LPG emits 40% fewer Hydrocarbons (which react in sunlight to create ozone) than petrol and 70% fewer than diesel.
- LPG emits 50% fewer particulates than petrol and 98% fewer than diesel.

Clearly, this is why combatting air pollution is one of our major purposes.

## Our Stakeholder Engagement Programme

SHV Energy and our business units are actively involved in addressing the role of LPG to improve air quality, by participating in stakeholder consultation. Our most significant and relevant impact on local air quality is external. That is why this topic is part of our Stakeholder Engagement Programme, which we run in close cooperation with the European and global LPG associations (AEGPL and WLPGA).

## Our 2017 initiatives

In 2017, we provided input on the European Public Consultation to support the Fitness Check of the EU Ambient Air Quality Directives. The nature of this initiative and our input:

- Is holistic and coherent with other EU legislation on transport, energy and environment
- Is based on the latest scientific evidence on Black Carbon
- Provides correct and complete information to consumers
- Considers outdoor and indoor environments, as well as urban and rural areas

At SHV Energy, we support this initiative, and we agree that it is urgent to assess the directives' relevance, coherence and effectiveness in addressing today's most pressing air pollutants. They will help to set meaningful air quality standards to protect human health and ecosystems in accordance with the evolving scientific understanding. More information can be found [here](#).

## Our 2018 initiatives

Our 2018 Air Quality initiatives also focus on stakeholder engagement, and we will continue to support the European Public Consultation to support the Fitness Check of the EU Ambient Air Quality Directives. This 2018 consultation aims to collect views from stakeholders on:

- The level of awareness of air quality challenges in general and knowledge of the Ambient Air Quality Directives' provisions in particular.
- Whether and how the Ambient Air Quality Directives have contributed to improved air quality in Europe.
- Whether the provisions of the Ambient Air Quality Directives continue to be relevant, effective, efficient, and coherent with other EU and national policies, as well as what their EU value-added is.

## Climate Change

### Reducing our own emissions and those of our customers

In 2015, 194 countries around the world gathered in France to discuss the best way to combat climate change. The result was the Paris Agreement – a unique and multi-lateral commitment to creating a dramatic reduction in CO<sub>2</sub> emissions. The agreement sets out a global action plan to put the world on track to avoiding dangerous climate change. Its goal is to keep global warming well below 2°C and preferably below 1.5°C. At SHV Energy, we are fully committed to delivering our contribution. Our approach is two-fold:

- To reduce our own CO<sub>2</sub> emissions through energy savings and the use of renewable energy;
- To reduce our customers' emissions by enabling them to switch from polluting fuels to our cleaner power sources as LPG, LNG biomass and Bio-LPG.

### Managing and embedding climate change

In 2017, SHV Energy installed a global energy monitoring and demand reduction programme. This programme will also look into lowering indirect emissions by working together with suppliers and by providing low carbon products to customers.

We aim to use our already-existing organisational structures as much as possible as we track our carbon emissions performance. This includes our year plan process, management performance review cycle and investment proposals. This integration with existing structures will ensure that we don't create a 'silo' approach for something of such importance.

We distinguish between two important principles as we look into our carbon emissions: our carbon footprint and our carbon impact. Our *Carbon Footprint* involves lowering our direct and indirect emissions (Scope 1, 2 and 3) throughout the entire value chain, and is based on the Greenhouse Gas Protocol (ISO 14064-1). Our *Carbon Impact* involves offsetting our emissions by considering the effect of our products or services on our customers' carbon footprint. For instance, if we sell a customer one ton of LPG which reduces their coal use, we can save more than three tons of CO<sub>2</sub> emissions from this one *switch*<sup>1</sup>. The introduction of Bio-LPG and Renewables in 2018 will play a key role in helping our customers reduce their carbon footprint – as well as SHV Energy's.

## Our climate change policy

As a company, as a department or as an individual, lowering carbon emissions is about taking responsibility and determining the best role to play in delivering a low carbon economy. From an SHV Energy perspective, we know that our influence is comprehensive. This influence is due in part to the size of our business, as well as to the energy intensity from our own operations, which include filling & product handling, distribution and storage. Our influence is even more extensive if we also consider our indirect influence on the extraction and production of our products, and the use of our products by customers.

We therefore challenge our departments to look for innovative ways to lower emissions. A number of departments play a key role in this area, including procurement (clean shipping, selective sourcing), operations (efficient logistics, truck fleet management, renewable on-site energy) and marketing & sales (consulting customers).

Of course, we also challenge individual employees to work together as they share ideas and embrace new ways of working. This is in line with our overall purpose of: 'Advancing Energy Together'. Sustainability is a team effort, and we have 16,000 employees across three continents. This represents 16,000 creative minds who can contribute to our overall target of reducing our carbon emissions.

## Our climate change targets

We have set an ambitious emissions target: a 25% reduction in CO<sub>2</sub> per mT LPGeq distributed by 2025. This means an accumulated reduction of 5 million tonnes of CO<sub>2</sub> by 2025.

This 25% reduction target represents SHV Energy's overall target. It does not necessarily mean that each individual business unit will have the exact same target. Instead, we will develop business unit-specific targets in 2018 that depend on a variety of key indicators such as the maturity level of sustainability performance, market conditions and nature of operations.

## Our 2017 initiatives – fixing the basics

2017 was about designing and building an organisation that understands and reports on its environmental impact, including carbon emissions.

We installed a global energy monitoring system in 2017, with some very useful components that help us understand potential savings opportunities. We distinguish between emissions from controlled (Scope 1 and 2) and non-controlled operations (Scope 3), as well as between the different levels of data quality that we measure, calculate and estimate. This information helps us to understand the reliability of our numbers and find ways to increase their accuracy.

SHV Energy took another important step forward through the introduction of an Internal Carbon Price (ICP) for carbon emissions in our investment proposals. We use the ICP as a shadow price that can be added to future investments and operational costs. There is already considerable momentum behind carbon pricing around the world, and an increasing number of regional, national and local schemes are now becoming a reality. Implementing a mechanism such as ICP therefore has a dual purpose: it prepares our company for the future effects of carbon pricing schemes (risk mitigation) and drives our organisation to look into cleaner investment opportunities.

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<sup>1</sup> This calculation takes the caloric values and efficiencies of both coal and LPG into account.

2017 also saw us achieve some other important milestones. We integrated carbon emission KPIs into our year plan cycle and performance updates, and we organised workshops for all business units to identify improvement actions for 2018.

In 2017, our carbon emissions – expressed as an *intensity factor* of kg CO<sub>2</sub> per sales volume – increased by 1.6% compared to our 2016 baseline. However, this was performance was expected: 2017 was about *fixing the basics* and preparing for visible improvement.

## Our 2018 initiatives – moving the needle

2018 will be about *moving the needle*, and we expect more from our carbon emission performance. By clearly defining what results constitute a win, we can make objective, data-driven decisions both internally and for our clients. We will start implementing the initiatives we defined in our 2017 sustainability workshops. These include increased efficiency and alternative fuels in transportation methods, lowering energy consumption, the increased installation of renewable energy sources in our facilities and helping more customers to lower their carbon emissions.

We will also start developing communication strategies necessary to ensure internal awareness and external reach across industrial, governmental, and non-governmental organisations. And last but not least, we will build and join successful alliances to help us to address our impact and discover even more improvement solutions.

## Business integrity

### SHV Energy's purpose: Advancing Energy Together

We place a great deal of trust in our people in the field. They are committed to doing business in a fair manner, and are driven by the Corporate Values that serve as the foundations of our culture. Our most important values are integrity and loyalty. Integrity means being honest, genuine and totally open in communications about all matters that concern the company. Loyalty means putting our best efforts into our work for the company and its development.

Our Ethics & Compliance programme focuses on how we transfer these values into behaviour through our People, Policies and Processes. The business is accountable for Ethics & Compliance, and we employ Compliance professionals to advise us about legislation, as well as to help us create a comprehensive set of policies and assurance processes that define how we can operate in the most responsible and compliant way.

### The right tone at the top

Setting the right tone at the top is the first ingredient for a solid Ethics & Compliance programme. That is why our Group CEO and all business unit managers are committed to leading by example. This creates the right climate, and it is the cornerstone upon which our integrity culture is built. It is also essential to fortifying our organisation's reputation and our relationship with all stakeholders.

### Constantly enhanced Ethics & Compliance

SHV Energy consistently addresses a variety of Ethics & Compliance topics, and they are also regularly discussed at a management level during Ethics & Compliance Committee meetings. From a business context point of view, we are of course fully aware of the risk of issues such as Competition Law, Anti-Bribery & Corruption, Export Control and Sanctions, Privacy, Third Party Due Diligence and Fraud. Each of our business units has at least one Compliance Officer to coordinate our Ethics & Compliance activities. Initially, this role was an add-on, but an increasing number of business units are now switching to a full-time Compliance Officer. The Group Ethics & Compliance team regularly interacts with these Compliance Officers to exchange information, share best practices and implement the policies, procedures and guidelines we use to constantly improve our Ethics & Compliance processes.

## A focus on awareness and prevention

An important pillar of our integrity programme is based on prevention – we consider raising awareness of integrity risks to be a vital preventive measure. Our primary focus is on training and communication for all employees to ensure that our values are understood and to prevent non-compliant behaviour. Some of this training is done through e-learning, and we start as soon as possible. New employees must complete online training in relevant Ethics & Compliance subjects within two weeks of joining our company. After that, they are requested to do e-learning training bi-annually. We organise face-to-face training for employees who do not have an email account. In addition, we discuss integrity and related integrity risks and we train our management teams on Ethics & Compliance. Enhanced face-to-face training is also provided to many teams across our organisation, and is often part of the agenda during leadership programmes.

## A confidential whistle-blowing process

In 2017, we re-enforced our Speak Up whistleblowing process. Employees can report integrity concerns in a variety of ways, including a web-based hotline run by a third party, which is available 24 hours a day, seven days a week, in all relevant languages. All reports are treated confidentially – employees can choose to remain anonymous, and we make a firm promise that we will protect all whistle-blowers from retaliation.

## Clear policies, manuals and guidelines

SHV Energy has clear policies, manuals and guidelines in place to support integrity and correct behaviour across our company. In order to make these policies accessible to all employees, we intend to build a simple yet solid policy house to store these documents. Where relevant, and based on policies from SHV Holdings, we are enhancing our own policies, manuals and guidelines in various areas – especially in the fields of Trade Sanctions & Export Controls and Third Party Due Diligence. We draft and test these documents in close cooperation with relevant people in the business, and we intend to further implement them during 2018.

## Other initiatives in 2017

### Anti-Bribery & Corruption activities

Based on the identified actions resulting from the internal audit on bribery risks performed in 2016, we have worked with the various stakeholders to increase risk awareness levels across our business units in order to mitigate them. We strengthened our way of working with third parties, especially agents. Together with Internal Audit, we enhanced some of our internal processes in order to further minimise risks of fraud. We intend to develop and implement a revised Anti-Bribery & Corruption policy and roll-out a new Anti-Bribery & Corruption e-learning in 2018.

### Ensuring GDPR and privacy compliance

In order to be compliant with the General Data Protection Regulation (GDPR), effective as of 25 May 2018, SHV decided to adopt Binding Corporate Rules: the SHV Privacy Codes. These codes will allow us to legally perform the cross-border exchange of personal data from employees and third parties within the company. SHV Energy will implement these SHV Privacy Codes globally. In 2017, we prepared for GDPR by developing a full implementation plan addressing all relevant aspects and processes. We have dedicated staff both at the SHV Energy level and the business unit level, and firm cooperation between our central team and business unit Privacy Leads led to a solid start in implementation in 2017.

## Our 2018 initiatives

In 2018, we will continue to dedicate our attention and resources to the solid implementation of GDPR and the SHV Privacy Codes. We will also implement an enhanced process for Trade Sanctions & Export Control and a solid process for Third Party Due Diligence. Furthermore, we intend to launch a revised Anti-Bribery & Corruption policy and implement a new Anti-Bribery & Corruption e-learning module. At the same time, more of our business units will hire a dedicated, full-time Compliance professional. Involving these new colleagues will strengthen cooperation and communication within our Ethics & Compliance community.

# Outlook

“Decarbonisation, decentralisation and digitalisation.”

We are in the midst of an energy transition that will take us to a truly sustainable global energy system. However, this profound shift to low-carbon energy sources and technologies is a long-term phenomenon. Along the way, it is about satisfying the growing energy needs of an expanding world economy and population – especially the billions of people in the developing world who are still deprived of access to modern energy services.

Three big drivers will play a key role in shaping the future of energy usage: *decarbonisation*, *decentralisation* and *digitalisation*. Since sustainability is also about staying relevant, we will continuously evaluate challenges and opportunities related to these drivers in order to evolve with the ever-changing world that we live in. At the same time, we can use these concepts to explain our internal efforts.

## Decarbonisation – our products as a stepping stone

*Decarbonisation* of the energy sector means reducing its carbon intensity; that is the emissions per unit of energy generated (often given in grams of CO<sub>2</sub> per kWh). A shift from coal (which emits an average 900 grams of CO<sub>2</sub>/kWh) to lower carbon intensity fuels such as LPG and LNG already creates a reduction of approximately 50%. These two fuels can therefore provide a natural stepping-stone to the use of cleaner forms of energy (such as hydrogen and Bio-LPG) and renewable forms of energy (such as solar, wind and hydro).

There are different roadmaps towards a decarbonised economy. For instance, the European Commission is looking to cut greenhouse gas emissions to 80% below 1990 levels. We have a long way to go to meet such ambitions and we expect to play an important role in the process of getting there – for instance by shifting completely from regular LPG to Bio-LPG which is expected to be effective by 2040.

Internally, we will improve energy efficiency within our own value chain. We expect our new global energy monitoring framework – installed in 2017 – to be fully aligned with the Paris Agreement by 2019, through the methodology of Science-Based Target Setting. We also want to improve the data quality of our monitoring framework. This framework considers three levels of data quality that we measure, calculate and estimate. Today, as we measure data from our total carbon footprint, our data quality performance is 85%. Our goal is to have *all* of our carbon emissions measured by 2020.

# Decentralisation – our Renewable Energy Strategy 2020

Decentralisation is the process of redistributing energy production away from a central system. Clean technologies such as wind and solar are decentralised by nature, and together with storage solutions they can provide the energy that people need. The concept of decentralised energy is not new to us, since we are helping customers that are not connected to the grid with their energy needs. We help our customers become more energy efficient, while at the same time creating a cleaner living and working environment. In countries such as Brazil, Poland, India and China, where local indoor and outdoor air quality is a significant issue, we provide the information, tools and products needed to improve local air quality.

We are determined to build a renewable business as we climb the so-called ‘energy ladder’. For this purpose, we have developed our Renewable Energy Strategy 2020 (RES20). RES20 initially focused on all relevant areas, but given our ambition, strategic fit and market attractiveness, we have selected and prioritised three business opportunities to position us best for the near future (2020). 2018 will be used to further build upon this part of our organisation.

## Digitalisation – a customer journey that is 80% digital

Digitalisation is all about technology and connectivity. The digitalisation of the power sector has already begun, with interconnected devices and smart meters becoming increasingly common. We are now getting to the point at which our energy system is fully digitalised, which creates opportunities and also imposes new risks. For instance, fears of cyber security and privacy issues are very much a part of public awareness, and should be on the agenda of every organisation that wants to take part in this transition, including us.

Our customers are increasingly exposed to the digital world, and they want us to move in that direction too. We have therefore set the goal of creating a customer journey that is 80% digital. We will also use a global team to develop a vision and way forward as we digitalise our supply chain where possible. This should enable us to drive more efficiently, reducing greenhouse gas emissions. Moreover, we will establish a global team to implement best practices in our filling plants across the world. This will help us to work more efficiently and safely.

## Conclusion – from impact stories to detailed performance

In a world where climate change is having an increasingly negative impact on people’s life, and where air quality is a critical health issue for millions, action is required. Not tomorrow, but now. And as a privately-owned company with an international reach and local focus, we know that we can play a key role in creating the required solutions.

We have written this first company-wide sustainability review to answer questions and bring people together. It provides a first framework that describes what we stand for and how we want to work together as a company. Our objective is to keep building our *Advancing Energy Together* programme, since it provides focus and pushes us to find new ways of doing things together with our local business units and other parties within our value chain. This year our focus is on reporting our impact stories by highlighting what we are already doing across the world. Next year, we will accelerate our journey by reporting our performance in more detail and via meaning full quantitative key performance indicators. An important target here is to be GRI core-compliant by next year.

Securing a clean, sustainable and reliable energy supply is arguably one of the greatest challenges we face in the 21st Century. The products we sell today are clearly part of pursuing a truly sustainable world, but more transition is needed. After all, SHV has made a transition in its product portfolio before – SHV stands for Steenkolen Handelsvereniging, which is Dutch for the Coal Trading Association. We feel confident that we can make a transition again.



## Colophon

### Acknowledgements

SHV Energy N.V. has its registered office in Hoofddorp.  
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### Concept and realisation

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